

# INTEGRATED SAFEGUARDS DATA SHEET

## CONCEPT STAGE

**Report No.:** ISDSC8456

**Date ISDS Prepared/Updated:** 11-Jun-2014

**Date ISDS Approved/Disclosed:** 20-Jun-2014

### I. BASIC INFORMATION

#### A. Basic Project Data

<b>Country:</b>	India	<b>Project ID:</b>	P150395
<b>Project Name:</b>	Tamil Nadu Sustainable Urban Development Program (P150395)		
<b>Task Team Leader:</b>	Raghu Kesavan		
<b>Estimated Appraisal Date:</b>	27-Jan-2015	<b>Estimated Board Date:</b>	30-Mar-2015
<b>Managing Unit:</b>	GSURR	<b>Lending Instrument:</b>	Investment Project Financing
<b>Sector(s):</b>	Wastewater Treatment and Disposal (30%), Solid waste management (10%), Sub-national government administration (30%), Water supply (3 0%)		
<b>Theme(s):</b>	Municipal governance and institution building (30%), City-wide Infrastructure and Service Delivery (30%), Municipal finance (40%)		
<b>Financing (In USD Million)</b>			
<b>Total Project Cost:</b>	600.00	<b>Total Bank Financing:</b>	400.00
<b>Financing Gap:</b>	0.00		
<b>Financing Source</b>			<b>Amount</b>
Borrower			200.00
International Bank for Reconstruction and Development			400.00
Total			600.00
<b>Environmental Category:</b>	A - Full Assessment		
<b>Is this a Repeater project?</b>	No		

#### B. Project Objectives

To demonstrate improved urban management practices and improve urban services delivery in participating ULBs in a financially sustainable manner.

#### C. Project Description

The proposed TNSUDP builds on the on-going Bank engagement with Tamil Nadu in the urban

sector, in particular on TNUDP-III. It will step-up the level of engagement by enhancing the local urban management and governance as well as further refining the line of credit support to ULBs. Innovations envisaged under the project include: piloting a Model Towns Concept; supporting credit enhancement; and supporting reforms in urban finance and in sector policies. In addition, there will be a greater focus on the sustainability of urban environment under the line of credit sub-loans/grants. The prospects for using the Disbursement Linked Indicator (DLI) mechanism to incentivize the Model Towns will also be explored.

The proposed project is expected to comprise two components: Urban Investment and Management; and Urban Sector Technical Assistance.

### Project Components

Component 1: The Urban Investment and Management component will comprise four sub-components:

a. Urban Governance and Management Enhancement of Model Towns (Bank loan: US\$60 million): The main objective of this sub-component is to demonstrate new models on urban management with a focus on building strong governance and financial sustainability. This sub-component will target at least two medium sized ULBs, which will be empowered and incentivized to improve resource planning and management, transparency and accountability, as well as enhanced municipal service delivery. These Model Towns are envisaged to become role models, and if implemented successfully, can potentially be scaled up to other ULBs across Tamil Nadu in the future. Conceptually, a likely Model Town would have the following outcomes: (i) improved decision making powers supported through the delegation of progressively increased administrative and financial powers; (ii) enhanced technical capacities in management systems; (iii) strategic urban and infrastructure planning linked to ULB resources; (iv) service delivery and operations management; (v) strengthened financial management, transparency and improved accountability mechanisms and processes; and (vi) open and active dialogue with its residents. The vision, objectives and definition of a Model Town including the selection criteria, would be identified and agreed upon by appraisal. The required regulatory and legal framework (in line with the 74th Constitutional Amendment and the related state level conformity legislation) that will underpin the systems improvement will be agreed with GoTN prior to appraisal.

Under this sub-component, the selected Model Towns will be provided an annual grant based on satisfactory performance in selected governance and management areas. The disbursement decision will be based on achievement of pre-specified results: annual targets that will need to be achieved for disbursements against a set of Disbursement Linked Indicators (DLIs). The achievement of annual targets for disbursements against the pre-set DLIs will be individually assessed for each city every year by the GoTN, through independent assessment teams. The DLIs and corresponding annual targets will be identified with the GoTN over the course of preparation to reflect specific areas of improvement.

b. Credit Enhancement (Bank loan: US\$10 million): Tamil Nadu is a pioneer in mobilizing resources from financial markets for urban infrastructure through the issue of municipal bonds. It has so far mobilized US\$ 64 million for financing viable urban projects in the state through the issue of bonds. This sub-component will channel increased financial resources for investment in urban sector projects by leveraging Bank funds. Resources may be mobilized through the issue of municipal bonds / other debt instruments under pooled finance framework or on ULB based approach,

borrowing from commercial banks, etc. Credit enhancement under this component includes any arrangement intended to decrease the likelihood of default on the debt instruments / borrowings including subordination, reserve fund, cash collateralization and / or other arrangements to improve the credit rating.

c. Line of Credit Urban Investments (US\$300 million): The main objective of this sub-component is to help participating ULBs improve urban services with an emphasis on the urban environment. There will be an emphasis on 'sustainability' or improvement of urban environments (not less than 40% by value under this sub-component) through interventions in waste-water collection and treatment / water reuse, storm water drains and restoration of water bodies in urban areas. The selection of participating ULBs will be based on existing TNUDF criteria which assess financial sustainability of the interventions in ULBs. This sub-component will also include retroactive financing of some expenditures incurred in TNUDF-III.

d. Project Development Advisory Facility (PDAF) (Bank loan: US\$10 million) to be managed by TNUDF, would provide technical assistance to ULBs for preparing and/or supervising sub-projects in ULBs, including environmental and social mitigation actions, contract supervision, Public Private Partnerships (PPPs), etc.

Component 2: Urban Sector Technical Assistance Component (Bank loan: US\$20 million) is aimed at system-wide strengthening of the capacity of ULBs and urban sector officials in the state in specific areas, as well as supporting reforms in the area of urban finance and sector policies. It would comprise: (i) Support for the next generation of municipal e-governance system, covering all ULBs; (ii) Build on the financial management reforms initiatives carried out under TNUDF-III by moving to an integrated/centralized web-based financial management system, enhancement of capacity of newly created municipal accounts cadre; (iii) GIS Mapping for 119 ULBs; (iv) Training and Capacity Building; (v) Project development; and (vi) TA focused on urban public finance issues (enhancing own source revenues of ULBs, etc).

#### **D. Project location and salient physical characteristics relevant to the safeguard analysis (if known)**

The project will be implemented throughout the state as the all Urban Local Bodies are eligible to participate in the project based on the selection criteria. The state is broadly divided into natural divisions-the coastal plains and the hilly western areas and comprise of 20% of Scheduled castes and 1% of Scheduled Tribal population. The state has the third highest slum population with 507 out of 721 statutory towns reporting the slum population consisting of about 1.46 million households.

The state is also rich in environmental resources, with a long coastline of over 1000 km covering 12 districts of the state and about 17.5% of the state is under forest cover. The state is endowed with the Gulf of Mannar Marine Biosphere Reserve, Nilgiri Hill Biosphere Reserve, 3 National Parks, 8 Wild Life Sanctuaries and 12 Bird Sanctuaries. The water resources of the state consist of 16 seasonal rivers and over 39,000 water tanks / lakes. Depending on the location of the proposed project interventions, these environmental sensitivities will become relevant to the project.

#### **E. Borrowers Institutional Capacity for Safeguard Policies**

The project is likely to finance some urban investments which will involve complex safeguard issues and will encounter category A sub-projects. The respective implementing agencies will be responsible for implementation of the sub- projects and TNUDFSL will be the coordinating agency for the safeguards application and will also monitor the implementation. As part of the

implementation of the previous TNUDP-III, the TNUIFSL and some of the ULBs were exposed to the World Bank's safeguard policies and are familiar with the safeguards procedures and the requirements. Two Safeguard Specialists (Environment and Social) are part of TNUIFSL and associated with the project for more than 5 years, have gained experience in safeguard issues and will assist the implementing agencies in preparation of monitoring of safeguards implementation of sub-projects. There is need to focus in this project to further develop the safeguards capacity of key participating local bodies and other implementing agencies. As part of the overall safeguards implementation in the previous project under TNUDP-III, the borrower has demonstrated willingness to implement sound environmental and social safeguards practices. In the context of the preparation of this project, the need for further strengthening institutional capacity of TNUIFSL and participating Urban Local Bodies will be assessed and accordingly suitable measures will be proposed for its strengthening as needed as part of project appraisal.

#### **F. Environmental and Social Safeguards Specialists on the Team**

I. U. B. Reddy (GURDR)

Srihari Gopaldaswamy (GURDR)

Bokepalli Kanaka Durga Raja (GURDR)

Harinath Sesha Appalarajugari (GENDR)

## **II. SAFEGUARD POLICIES THAT MIGHT APPLY**

<b>Safeguard Policies</b>	<b>Triggered?</b>	<b>Explanation (Optional)</b>
Environmental Assessment OP/BP 4.01	Yes	The project interventions are expected to cause impacts on urban environment. Depending on the nature and location of the urban investment activities, the project is likely to contribute to both positive and negative environmental impacts on the project area. The Environmental and Social Framework, developed and implemented in the recently closed TNUDP III, will be suitably updated / strengthened and will be implemented to carry out the necessary environmental assessment of the project interventions.
Natural Habitats OP/BP 4.04	TBD	Some of the activities related to restoration and rejuvenation of water bodies in the state are expected to cause impacts on the natural habitats. These investments, if finalized during the preparation phase for inclusion in the project, OP 4.04 will be triggered.
Forests OP/BP 4.36	No	Based on the current list of activities being considered, the project doesn't involve substantial conversion of forest areas and impacts on the forest resources.
Pest Management OP 4.09	No	Project activities, are not expected to trigger the requirements of OP 4.09.

Physical Cultural Resources OP/ BP 4.11	TBD	The project investments are not expected to cause any impacts on cultural resources. This will be further ascertained as the project design progresses and will be triggered, if any impacts are anticipated.
Indigenous Peoples OP/BP 4.10	TBD	The need for triggering this policy will be determined by appraisal based on the assessment of likely impacts to tribal population in the participating Towns.
Involuntary Resettlement OP/BP 4.12	Yes	<p>The project will have some adverse impacts related to displacement of people, especially the non-title holders and also involve some private land for the proposed infrastructure improvement interventions. The restoration of water bodies will have substantial impacts as the poor and vulnerable people often found to be occupying the land around water bodies, along the rivers and other vacant public places and are subject to displacement.</p> <p>The main implementing agencies involved in the earlier TNUDP-III would also execute this project and are exposed to and sensitized in addressing the issues related to displacement and private land acquisition. The project will build upon the Environment and Social Management Framework (ESMF) from the previous project, and strengthen the processes for screening, appraisal, supervision and reporting of the implementation of the sub-projects. TNUIFSL, who has experience in safeguard aspects, will assist the implementing agencies in preparation and implementation of RAPs, the updated ESMF and incorporate the provisions of process of new legislation on “The Right to Fair compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act, 2013”. The updated ESMF will define the sub-project specific screening, SIA process, consultations, disclosure and preparation of RAPs, if land acquisition and resettlement impacts are involved. The sub-project appraisal process for safeguards will be outlined.</p> <p>Social Impact Assessment (SIA) would be carried out as part of DPRs to determine the</p>

		nature of impacts and undertake stakeholder consultations to seek their views and suggestions on the project impacts. The SIA findings will provide basis for preparation of sub-project specific RAPs.
Safety of Dams OP/BP 4.37	No	
Projects on International Waterways OP/BP 7.50	No	
Projects in Disputed Areas OP/BP 7.60	No	

### III. SAFEGUARD PREPARATION PLAN

**A. Tentative target date for preparing the PAD Stage ISDS:** 30-Nov-2014

**B. Time frame for launching and completing the safeguard-related studies that may be needed. The specific studies and their timing<sup>1</sup> should be specified in the PAD-stage ISDS:**

The Safeguard studies that are being undertaken include: (i) Updation of Environment and Social Framework; (ii) Sub-project specific Environmental and Social Impact Assessment and Resettlement Action Plans (if required) for 30% investments targeted as part of appraisal will be prepared as part of DPRs for individual sub-projects. All these studies and corresponding documentation, review and disclosures will be completed by Appraisal. The RSA will retain the oversight of the project, given the complex nature of urban sector, and some of the proposed investments will be environment category A sub-projects.

### IV. APPROVALS

Task Team Leader:	Name: Raghu Kesavan	
<b><i>Approved By:</i></b>		
Regional Safeguards Coordinator:	Name: Francis V. Fragano (RSA)	Date: 18-Jun-2014
Sector Manager:	Name: Ming Zhang (SM)	Date: 20-Jun-2014

<sup>1</sup> Reminder: The Bank's Disclosure Policy requires that safeguard-related documents be disclosed before appraisal (i) at the InfoShop and (ii) in country, at publicly accessible locations and in a form and language that are accessible to potentially affected persons.